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June 30, 2009

Via Electronic Submission

Ms. Marlene Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Re: Pay Telephone Reclassification and Compensation Provisions of the  
Telecommunications Act of 1996, CC Docket 96-128

Dear Ms. Dortch:

Pursuant to the Commission Report and Order, CC Docket 96-128 released October 3, 2003, AT&T Inc ("AT&T"), on behalf of AT&T Corp, submits the attached AT&T Long Distance Payphone Per Call Compensation Audit Report which was completed by the Engel Consulting Group.

As required by Section 64.1320(e) of the Order, AT&T provides the name, address, and phone number of the person responsible for handling the Completing Carrier's payphone compensation and for resolving disputes with payphone service providers over compensation.

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A copy of AT&T's 2009 System Audit Report and Section 64.1320(e) Statement has been provided to the National Payphone Clearinghouse to be posted on their secure website in order to comply with the Commission's requirements to provide a copy to each payphone service provider for which AT&T completes calls.

If you have any questions, please contact the undersigned at 202-457-3039.

Sincerely,

/s/ Toni R. Acton

Toni R. Acton  
Director

Attachment



## Independent Accountant's Report

We have examined management's assertions, included in the accompanying "*Management's Assertions on Modifications to AT&T's Payphone Compensation Processes*," that AT&T, as represented by AT&T Corp. (the "Company" or "AT&T"), remains in compliance with the payphone call tracking system audit criteria pursuant to section 64.1310 (a) (1) of the Final Rules of the FCC's Report and Order of October 3, 2003 (CC Docket No. 96-128) in the Matter of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996 which provides that each Completing Carrier engages an independent third-party to perform an audit of the call tracking system that supports the payphone compensation payments. The order requires each Completing Carrier to establish its own payphone call tracking system and to have a third party attest that the system accurately tracks payphone calls to completion.

Further, we have examined management's assertions that AT&T remains in compliance with the following requirements in accordance with FCC 03-235/CC Docket No. 96-128, and FCC 04-251/CC Docket No. 96-128:

- FCC 03-235/CC Docket No. 96-128 provides that each Completing Carrier is responsible for payment of Per Call Compensation (PCC), must provide the Payphone Service Providers (PSPs) with a quarterly sworn statement by the CFO of PCC accuracy, and must provide to PSPs quarterly reports of toll-free and access-code calls completed by the Carrier.
- FCC 04-251/CC Docket No. 96-128 clarifies that each Completing Carrier is responsible for retaining records for payment of PCC for 27 months and is only responsible for providing to PSPs on quarterly reports those toll-free numbers and access codes for calls completed by the Carrier.

AT&T Management is responsible for compliance with those requirements. Our responsibility is to express an opinion on management's assertions about AT&T's compliance based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about AT&T's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on AT&T's compliance with specified requirements.

In our opinion, management's assertions that AT&T complied with the aforementioned requirements are fairly stated in all material respects.

A handwritten signature in blue ink, followed by the letters "CPA" in a similar style.

Engel Consulting Group  
June 30, 2009



**AT&T Long Distance  
Payphone Per Call Compensation  
2009 FCC Audit Report and Attestation**

**June 30, 2009**



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## 1.0 Introduction

AT&T engaged the services of the Engel Consulting Group to perform the annual audit of its Payphone Per Call Compensation (PCC) processes and procedures. As part of the audit, the Engel Consulting Group was also asked to complete an attestation of AT&T's continued compliance with the Federal Communications Commission (FCC) requirements to establish a call tracking system to compensate Payphone Service Providers (PSPs) for originating toll-free and access-code calls. This examination is in accordance with the provisions set forth in Appendix C – Final Rules of FCC 03-235/CC Docket No. 96-128 dated October 3, 2003, which obligates Completing Carriers to engage an independent third-party auditor to verify on an annual basis that no material changes have occurred concerning the Completing Carrier's compliance with the prior year's System Audit Report and the FCC audit criteria.

AT&T Management has stated in its *Management's Assertions on Modifications to AT&T's Payphone Compensation Processes* dated June 29, 2009 that no material changes have been made to the Payphone Per Call Compensation processes since the June 30, 2008 audit. Therefore, the primary goal of this examination is to ensure that the PCC processes continue to operate as designed and that AT&T remains in compliance with the criteria and audit requirements specified in §64.1310 and §64.1320 of FCC 03-235/CC Docket No. 96-128.

## 2.0 Executive Summary

To fulfill the audit requirements and criteria for a Per Call Compensation system specified in §64.1310 and §64.1320 of FCC 03-235/CC Docket No. 96-128, the Engel Consulting Group was engaged by AT&T to audit the processes and procedures for payment of PCC to Payphone Service Providers (PSPs) for toll-free and access-code calls where AT&T is the Completing Carrier. AT&T Management has asserted that no material changes have occurred since the June 30, 2008 audit and that the payphone compensation processes remain in compliance with the aforementioned criteria.

The 2009 PCC audit plan was designed by mapping a specific validation test with each of the AT&T assertions of compliance with the FCC requirements. The validation consisted of interviewing Subject Matter Experts (SMEs), reviewing process documentation and correspondence, tracing sample disputes, and examining control reports and files. To validate that the end-to-end PCC processes continue to operate properly, the Audit Team traced a sample of payphone calls through the system by independently processing call detail records, creating a compensable file, comparing the file with the records deemed compensable by AT&T, and documenting the results.

Based upon the data and procedures examined and tested during the audit process, the Audit Team concludes that AT&T has satisfied the requirements specified in the aforementioned FCC Orders. AT&T's assertions of compliance with the FCC criteria specified in §64.1320 of the Final Rules are fairly stated and the Audit Team attests that the AT&T call tracking system remains in compliance with the stated criteria as of June 30, 2009.



### 3.0 Background

The FCC in its Order in Docket No. 96-128 dated October 3, 2003, *In the Matter of The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, adopted new rules placing liability for compensating PSPs on the Completing Carriers for calls originating from payphones and completing on their networks. To ensure that the PSPs are fairly compensated, the FCC also imposed new audit, certification, and reporting requirements requiring each Completing Carrier to establish its own call tracking system and engaging a third party to attest that the system accurately tracks calls to completion.

On June 24, 2004 PricewaterhouseCoopers issued an attestation examination report that provided an opinion regarding AT&T's compliance with the FCC criteria. This report served as the baseline for the subsequent annual audits required by the FCC per Appendix C – Final Rules FCC 03-235/CC Docket No. 96-128, where the Completing Carrier is obligated to engage an independent third-party auditor to:

- 1) *Verify that no material changes have occurred concerning the Completing Carrier's compliance with the criteria of the prior year's System Audit Report; or*
- 2) *If a material change has occurred concerning the Completing Carrier's compliance with the prior year's System Audit Report, verify that the material changes do not affect compliance with the audit criteria*

The Engel Consulting Group issued the 2008 System Audit Report and letter of attestation stating that AT&T remained in compliance with the FCC criteria and Final Rules as of June 30, 2008. The FCC requires that the 2009 audit and attestation of compliance must be completed no later than July 1, 2009.

### 4.0 Audit Approach and Test Plan

The objective of this audit was to validate through testing and other means deemed appropriate that AT&T remains in compliance with the audit requirements and criteria specified in §64.1310 and §64.1320 of FCC 03-235/CC Docket No. 96-128 and that any material changes occurring after June 30, 2008 do not affect compliance with the aforementioned criteria. AT&T Management has asserted that there have been no substantive operational or procedural changes since the conclusion of the June 30, 2008 Audit and provided Assertions of Compliance with the criteria outlined in the Final Rules of FCC 03-235/CC 96-128.

Following the Standards for Attestation Engagements established by the American Institute of Certified Public Accountants (AICPA), the Engel Consulting Group utilized an approach which 1) examined processes, procedures, system documentation, sample logs, and control reports, and 2) interviewed Managers accountable for critical deliverables in the compensation process. In addition, a test to validate that the end-to-end process continues to meet the compliance criteria was conducted by tracing a sample of payphone call detail records (CDRs) from origination on the switch to the compensable calls sent to the National Payphone Clearinghouse (NPC) for payment and reporting to the PSPs. The Audit Team independently processed the CDRs, applied the business rules for compensation, and created a compensable file which was then compared with the compensable calls sent to the NPC.





## 5.0 Validation Test Results

### 5.1 Assertion #1 - Payphone Call Tracking

#### Payphone Call Tracking

AT&T has procedures in place to accurately track payphone calls to completion

- a. Controls are in place to ensure Call Detail Records (CDRs) generated by AT&T-owned or leased switches are interfaced completely to the downstream payphone call tracking systems
- b. Controls are in place to identify and eliminate duplicate CDRs
- c. Payphone calls are identified by Originating Line Indicator (OLI) values of 27, 29, and 70 in the CDRs
- d. Call completion indicators for payphone CDRs are accurately assigned based on hardware or software answer types

Examination of the current call flows and process narratives confirmed that the process of identifying and tracking toll-free and access-code calls originating from a payphone remains unchanged. The Audit Team was able to trace the flow of a sample of completed payphone calls – identified by the Originating Line Information (OLI) values of 27, 29, and 70 and the answer (completion) indicator of ‘0’ on the CDRs – from origination on the AT&T switches to compensable records sent to the NPC.

The Enterprise Usage Collection (EUC) organization continues to be responsible for collecting and mediating the CDRs and ensuring that the data is distributed to the downstream systems. EUC is currently migrating to a common usage collection and mediation platform, the documentation and controls of which were included in the 2008 Audit. The existing system is scheduled for retirement in August 2009. Examination of the current documentation provided by the EUC Subject Matter Expert (SME) confirmed that controls remain in place, including real-time monitoring of the transmissions, sequencing of switch data blocks to ensure no missing blocks / files, front-end data validation, automatic generation of operational alarms, and re-polling for gaps in the data or late media. Documentation was reviewed on the various error conditions, which included a description of the error, the error code, and the action taken for both original and re-submitted files.

The rules used to identify and eliminate duplicate call records remain unchanged. Front-end validations are performed to ensure complete and correct data is received from the switches. Sequence number validation ensures no data is missing as well as detects duplicate media. At the record level, critical data fields such as From Number, To Number, Connect Date, and Connect Time are compared and duplicate call records are removed.

The business rules used to identify a completed call remain unchanged. The switch generates an Answer Supervision indicator if the call has been answered; if the call is unanswered, it is not considered completed for the purpose of per call compensation. This was validated by tracing a sample of the CDRs from the switch and observing the completion indicator of ‘0’ as a potentially compensable call.

The specific validation tests for this assertion are documented below:

Assertion	Validation Test	Test Results
AT&T has procedures in place to accurately track payphone calls to completion	<ol style="list-style-type: none"><li>1. Traced sample of CDRs received from the switches through the process and compared results with the compensable records sent to the NPC</li><li>2. Examined the call flows and process narratives to verify that the systems for identifying and tracking calls originated on a payphone are interfaced</li></ol>	No deficiencies or exceptions noted



3. Examined documentation provided by SMEs to determine whether controls continued to be in place for identifying and tracking payphone calls
4. Reviewed usage collection documentation to determine the process to identify and eliminate duplicate CDRs and ensure all payphone usage is processed
5. Observed OLI values equal to 27, 29, or 70 on CDRs for compensable records sent to NPC
6. Observed call completion indicators on CDRs for compensable records sent to the NPC

## 5.2 Assertion #2 - Dispute Resolution Contact

### Dispute Resolution Contact

AT&T has assigned a specific person or persons responsibility for tracking, compensating and resolving disputes concerning payphone completed calls

- a. Responsibility has been granted and included in the job description for specific employees

The Audit Team interviewed the Payphone Product Manager who advised that the responsibility for tracking and resolving the payphone compensation disputes continues to reside with James Lake. This was confirmed by reviewing the dispute process and contact information letter posted on the National Payphone Clearance (NPC) website at <https://www.npc.cc/>.

The specific validation tests are documented below:

Assertion	Validation Test	Test Results
AT&T has assigned a specific person or persons responsibility for tracking, compensating and resolving disputes concerning payphone completed calls	<ol style="list-style-type: none"><li>1. Interviewed Payphone Product Manager to determine whether there have been any changes to the dispute resolution contact</li><li>2. Confirmed contact information is posted on the NPC website</li></ol>	No deficiencies or exceptions noted

## 5.3 Assertion #3 - Data Monitoring Procedures

### Data Monitoring Procedures

AT&T has effective data monitoring procedures in place

- a. AT&T has documented procedures for monitoring data interfaced from the switches to AT&T's call collection, usage processing, and payphone call tracking systems
- b. AT&T identifies and takes corrective actions for data irregularities and errors in the payphone process

The Audit Team reviewed the current call flow and process documentation to confirm that there were no new points in the flows where CDRs could error and / or reject. The Enterprise Usage Collection (EUC) group continues to monitor the data from the switches and the usage collection platform on a real-time basis and key controls continue to be in place to alert to volume fluctuations, gaps and error conditions. The documentation on error identification, handling, and resolution for the common usage collection platform, which was part of the 2008 audit, was examined and found to be in order.





Control reports from the call tracking system continue to be utilized on a monthly and quarterly basis to validate the reasonableness of the data volumes and address any fluctuations. All compensable call volumes continue to be reviewed monthly by the management team accountable for the per call compensation process and all deviations are investigated. Sample control reports broken down by product type and compensation period were examined and continue to be readily available to the management team.

The specific validation tests are documented below:

Assertion	Validation Test	Test Results
AT&T has effective data monitoring procedures in place	<ol style="list-style-type: none"><li>1. Reviewed call flow and process narrative documentation to determine if changes were made to where CDRs could error or reject</li><li>2. Examined call collection and usage processing documentation to determine procedures for monitoring the payphone CDRs and identifying and correcting errors</li><li>3. Examined control reports from the call tracking system to verify the data monitoring results</li></ol>	No deficiencies or exceptions noted

## 5.4 Assertion #4 – Software and Network Change Control Procedures

### Software and Network Change Control Procedures

AT&T adheres to established protocols to ensure that software, personnel, or network changes do not adversely affect its payphone call tracking ability

- a. AT&T has established a documented software development lifecycle (SDLC) to manage software changes
- b. AT&T's SDLC includes testing of software changes to determine if they adversely affect AT&T's payphone call tracking ability
- c. AT&T monitors adherence to the SDLC
- d. AT&T has procedures, including system-driven checks and balances, to ensure network translation and routing changes are implemented in a manner not detrimental to its network
- e. AT&T restricts access to payphone call tracking systems to authorized personnel

AT&T migrated to a new SDLC process, IT Unified Process (IT-UP), for managing software changes. The SDLC milestones, decision gates, and Sarbanes-Oxley controls from the previously-audited EXPRESS ONE SDLC process remain the same. The Audit Team examined a sample of the IT-UP templates and artifacts including evidence of project documentation requirements in support of the key Sarbanes-Oxley controls surrounding testing, project initiation, application deployment, and Go / No-Go decisions.

The Audit Team interviewed the AT&T Process Owner for network routing and translations to validate the process for network change control. New software releases for the switches are controlled through the Release Management structure within the IT-UP SDLC process. Any new release undergoes rigorous functionality, regression, user acceptance, and readiness testing before the software goes into production on the network.

Network routing, translations, and trunking changes are managed through a Recent Change process within the network management systems which have built-in checks and balances for introducing, scheduling, testing, and implementing changes. Methods and Procedures (M&Ps) are in place to ensure the changes are coordinated across the various systems and work groups as well as to assist in identifying and resolving issues.



Scorecards have been developed to track and monitor key network quality metrics including On-Time Performance, Network Blocking, and Operating Errors. Tight controls are in place to quickly identify problems and take corrective action. To prevent recurrence of problems, analysis is conducted to understand what caused the issue to occur and determine how to fix the root cause.

AT&T continues to control access to the payphone call tracking system through a process whereby a secured ID (token) is obtained after approval by the appropriate levels of AT&T Management. These tokens are reviewed and renewed periodically. In addition, a separate ID, authorized by AT&T Management, is required to access the specific machine where the data resides. Access is password-protected and the password must be changed on a periodic basis.

The specific validation tests are documented below:

Assertion	Validation Test	Test Results
AT&T adheres to established protocols to ensure that software, personnel, and network changes do not adversely affect its payphone call tracking ability	<ol style="list-style-type: none"> <li>1. Examined IT-UP templates, artifacts, and evidence supporting Sarbanes-Oxley controls provided by AT&amp;T IT-UP SME</li> <li>2. Interviewed the AT&amp;T Process Owner for Network Routing and Translations to validate the process for network change control</li> <li>3. Reviewed confirmation from System Analyst that the process restricting access to payphone call tracking systems to authorized personnel remains in place</li> </ol>	No deficiencies or exceptions noted

## 5.5 Assertion #5 - Compensable File Creation

### Compensable File Creation

AT&T creates a compensable payphone call file by matching call detail records against payphone identifiers

- a. Payphone calls are identified by OLI values of 27, 29, and 70 in the CDRs
- b. Payphone calls are considered compensable based on the business rules defined in Assertion #9

The Audit Team traced the details on a sample of CDRs originating at the switches through the process to the records on the compensable file sent to the NPC and noted that all compensable CDRs had OLI values of 27, 29, or 70 which is documented in the call flows and process narratives as the means to identify payphone calls. The business rules for determining compensable calls remain the same as outlined in the process documentation. This was tested by creating a compensable file after processing the payphone CDRs of a sample set of Payphone ANIs using the compensation business rules. This file was compared with the records on the compensable file sent to the NPC and no discrepancies were found.

The specific validation tests are documented below:

Assertion	Validation Test	Test Results
AT&T creates a compensable payphone call file by matching call detail records against payphone identifiers	<ol style="list-style-type: none"> <li>1. Traced sample of CDRs received from the switches through the process concluding with the compensable records sent to the NPC</li> <li>2. Observed OLI values equal to 27, 29, or 70 on CDRs of the compensable records sent to NPC</li> <li>3. Processed a sample of payphone CDRs using business rules defined in Assertion #9 to compare results with the compensable file sent to the NPC</li> </ol>	No deficiencies or exceptions noted



## 5.6 Assertion #6 - Reporting Procedures

### Reporting Procedures

AT&T has procedures in place that incorporate payphone call data into required reports

- a. AT&T has procedures to create the following reports accurately and completely for the compensable payphone call file referenced in Assertion #5:
  - NPC SuperFile: 1) Completing Carrier Traffic Compensation, 2) Completing Carrier Toll-Free/Access-Code Reporting, 3) Intermediate Carrier Toll-Free/Access-Code Reporting
  - Paycomp True Zero Accum File: 1) Toll-free/access-code numbers dialed from each payphone that has collect and calling card calls, 2) Volume of calls for each toll-free/access-code number completed by the Completing Carrier for each of the PSPs' payphones by call type
  - Switched-Based Reseller Report
- b. AT&T has established procedures to submit above reports to the NPC on a timely basis

The Payphone Product Manager advised that while there were some minor modifications to a few tables and files, the system that collects, edits, stores, and sends the payphone usage information to the NPC remains the same and that no changes had been made to the process since the 2008 Audit. All submission analysis reports from the NPC were examined for the 4Q2008 data submission and all required reports and data files had been sent to and were accepted by the NPC in the required timeframe. Validation from AT&T that the counts on all reports matched the counts reported by the NPC was reviewed and confirmed.

Since AT&T contracts with the NPC for PSP payment and reporting, the Audit Team also reviewed the results from the SAS 70 report for the period 4/1/08- 3/31/09 conducted by an independent auditor on the NPC control procedures to ensure that the controls for processing the AT&T data were reasonable and adequate for PCC payment and reporting. No deficiencies or exceptions were noted by the auditor in the NPC control procedures.

The specific validation tests are documented below:

Assertion	Validation Test	Test Results
AT&T has procedures in place that incorporate payphone call data into required reports	<ol style="list-style-type: none"><li>1. Examined the submission analysis reports from the NPC to verify that the counts were validated by AT&amp;T and that the data was submitted on a timely basis</li><li>2. Examined the current SAS 70 report on the NPC control procedures to verify the adequacy of the controls for processing the payphone data received from AT&amp;T</li></ol>	No deficiencies or exceptions noted

## 5.7 Assertion #7 - Dispute Resolution Procedures and Controls

### Dispute Resolution Procedures and Controls

AT&T has implemented procedures and controls needed to resolve disputes

- a. AT&T has documented its process to investigate and resolve disputes with PSPs and has posted the process on the NPC website
- b. AT&T logs disputes and follows the published process
- c. AT&T maintains payphone CDRs for at least 27 months
- d. Archived payphone CDRs can be readily accessed by AT&T payphone dispute personnel

The Audit Team received written confirmation from the Payphone Product Manager that there have been no changes to the dispute process which is posted on the NPC website at <https://www.npc.cc/>. Samples of



several different disputes were traced from initiation by the PSP or Aggregator through analysis and investigation by AT&T to resolution and closure. All disputes were logged and tracked appropriately.

The Audit Team examined the 4Q2008 industry letter from the NPC on behalf of AT&T regarding the withholding of compensation where the call volume from a payphone ANI exceeded the set threshold. In these instances, AT&T investigates the calls and will release the compensation where appropriate. Documentation regarding the investigation and outcome of a sample of these situations was examined and traced through the process. All documentation was complete and provided timely resolution.

Archived payphone CDRs continue to be readily available to assist in resolving disputes. Per the Information Mining SME at AT&T, all payphone CDRs are retained for at least 27 months in accordance with the FCC regulations.

The specific validation tests are documented below:

Assertion	Validation Test	Test Results
AT&T has implemented procedures and controls needed to resolve disputes	<ol style="list-style-type: none"> <li>1. Examined the AT&amp;T/NPC industry letter on High Volume ANI withholding for the 4<sup>th</sup> Quarter as validation of dispute handling</li> <li>2. Sampled and traced High Volume ANI, questionable calling, and blocking disputes to verify that disputes were logged and resolution followed the process</li> <li>3. Received confirmation from AT&amp;T that payphone CDRs are retained for at least 27 months and that archived records are readily accessible</li> </ol>	No deficiencies or exceptions noted

## 5.8 Assertion #8 - Compensation Critical Controls and Procedures

### Compensation Critical Controls and Procedures

AT&T has implemented critical controls and procedures to identify payphone compensation errors

- a. AT&T develops an annual payphone compensation budget by month based on key company and industry trends
- b. AT&T analyzes the quarterly payphone compensation invoice at a 'compensation-type' level to identify any deviations from historical trends and current budget
- c. AT&T documents and retains trending data
- d. AT&T reviews and analyzes the information contained in the Traffic Analysis Report received from the NPC to validate complete receipt of call records sent to the NPC

The Payphone Product Manager confirmed that the process for developing the compensation budget and tracking actuals remains the same. Historical data and industry trends are both used to develop the initial budget and compensable call volumes continue to be tracked and reviewed on a monthly basis to assess reasonableness and accuracy and as well as identify any deviations. Control reports, monthly report cards, and summary reports on compensation volumes by month and by quarter broken down by product type continue to be used by the management team and were examined by the Audit Team for the 4Q2008 compensation period.

The quarterly compensation invoice from the NPC continues to be used for trend analysis and comparisons with the system control reports. The Audit Team also examined the Traffic Analysis Report from the NPC and confirmed that AT&T had validated that the count of call records sent equaled the count of call records received.



The specific validation tests are documented below:

Assertion	Validation Test	Test Results
AT&T has implemented critical controls and procedures to identify payphone compensation errors	<ol style="list-style-type: none"> <li>1. Verified with Payphone Product Manager that process used to develop the annual payphone compensation budget has not changed</li> <li>2. Examined control reports, monthly report cards, and summary reports to validate errors can be identified and corrected and trends can be tracked</li> <li>3. Inspected the quarterly compensation invoice from the NPC to validate applicability for trend analysis</li> <li>4. Examined the Traffic Analysis Report from the NPC and the corresponding confirmation from AT&amp;T to verify that the call records sent equal the call records received</li> </ol>	No deficiencies or exceptions noted

## 5.9 Assertion #9 - Compensable Call Business Rules

### Compensable Call Business Rules

AT&T has implemented business rules to identify compensable payphone calls

- a. Payphone calls are identified based on OLI values in the CDRs of 27, 29, or 70
- b. AT&T has controls in place to identify and eliminate duplicate CDRs
- c. Potential compensable payphone calls are identified based on applying the following business rules to the payphone call file: 1) CDRs must be toll-free or access-code dialed calls, 2) CDRs must be completed calls based on the answer indicator generated by the switch
- d. The originating ANI for each call is included in the compensation file sent to the NPC
- e. AT&T has engaged the NPC to determine the identities of the PSPs to which AT&T owes compensation. The NPC matches the PSP claims to the LEC reports to validate ANI ownership and works with the PSP to resolve any disputes. The NPC calculates compensation for non-flex ANI payphones based on regulated surrogate rates

The Audit Team traced the details from a sample of payphone CDRs from origination at the switch to their appearance as compensable records sent to the NPC to validate the compensable call business rules. All compensable CDRs contained the originating ANI and OLI values of 27, 29, or 70 and there were no duplicate records. In addition, all CDRs were either toll-free or access-code dialed calls and all contained an Answer Indicator of '0' which signified completed calls. The call flows and process narratives were determined to be consistent in the documentation of the compensable call business rules with the results of the CDR observations from the compensable records.

The SAS 70 Report for the NPC was examined to ensure that controls are in place for matching PSP claims of ANI ownership to LEC reports and resolving any disputes. In addition, the Audit Team reviewed the NPC controls documented in the SAS 70 report to determine that the process for calculating compensation for calls from payphones without Flex ANI capabilities is in place and that the controls are adequate. The auditor rendered the opinion that the NPC controls are "suitably designed to provide reasonable assurance that the control objectives would be achieved."

The specific validation tests are documented below:

Assertion	Validation Test	Test Results
AT&T has implemented business rules to identify compensable payphone	<ol style="list-style-type: none"> <li>1. Traced sample of CDRs received from the switches through the process and compared results with the compensable records sent to the NPC</li> </ol>	No deficiencies or exceptions noted



calls

2. Observed sample CDRs to determine if only completed calls with the OLI values of 27, 29, or 70 were in the compensable records and that the originating ANI was included
3. Examined call flows and process narratives to determine that the business rules are consistent
4. Processed a sample file of payphone CDRs and compared with CDRs sent to the NPC on the compensable file to determine that the business rules, e.g. Completed toll-free or access-code dialed calls, were being followed
5. Examined the 2009 SAS 70 report for the NPC to determine that controls are in place to validate ANI ownership and resolve disputes
6. Examined the 2009 SAS 70 report for the NPC to determine that controls are in place for calculating compensation for non-flex ANI payphones

## 5.10 Assertion #10 - Compensation on Behalf of Switched-Based Resellers (SBRs)

### Compensation on Behalf of SBRs

AT&T has agreed to compensate PSPs on behalf of a small number of completing carriers for which AT&T delivers payphone calls. AT&T notifies PSPs of each completing carrier for which it makes payments via a posting on the NPC website

- a. AT&T pays 100% of payphone call volume delivered to the small number of completing carriers referenced above based on the business rules that the CDRs must be toll-free or access-code dialed calls

The AT&T Network Connections Product Manager responsible for PSP notification of SBR identification confirmed that the process for giving SBRs the option of choosing to either handle the PCC themselves or to contract with AT&T to handle it on their behalf remains the same. An industry notification letter of a new SBR and the selected option was reviewed along with confirmation from the NPC that the letter was received and would appear on the NPC website.

The specific validation test is documented below:

Assertion	Validation Test	Test Results
AT&T has agreed to compensate PSPs on behalf of a small number of completing carriers. AT&T notifies PSPs of each completing carrier for which it makes payments via a posting on the NPC website	1. Examined sample documentation of PSP notification of an SBR change including the letter to the NPC and confirmation as to when the notification would be posted on the website to determine the process was being followed properly	No deficiencies or exceptions noted

## 5.11 Assertion #11 - CFO Accuracy Statements

### CFO Accuracy Statements

AT&T asserts that at the conclusion of each quarter, its CFO has submitted to the NPC to be posted on the NPC website a sworn statement relating to payphone payments and stated that such statement is accurate and based on 100% of all completed calls originated from a PSP's payphones in the relevant period.





The Audit Team examined the CFO certification letter for the 4Q2008 reporting period in addition to reviewing the confirmation from the NPC that the letter had been received and that it would be available for download from the website on April 1, 2009.

The specific validation tests are documented below:

<b>Assertion</b>	<b>Validation Test</b>	<b>Test Results</b>
AT&T asserts that at the conclusion of each quarter, its CFO has submitted a sworn statement of PCC accuracy	<ol style="list-style-type: none"> <li>1. Examined the quarterly CFO certification statements for the 4Q2008 reporting period to validate that it had been completed</li> <li>2. Reviewed the confirmation from the NPC stating that the letter had been received and the date for industry download from the website</li> </ol>	No deficiencies or exceptions noted

## 5.12 End-to-End Testing Results

The end-to-end test consisted of the Audit Team independently processing a sample of call detail records, applying the business rules for compensation, and comparing the results with the compensable calls sent to the NPC. Compensation data was extracted from the NPC files for five PSPs and a total of 46 unique ANIs from the 4Q2008 processing period. All corresponding CDRs, both compensable and non-compensable, were then extracted from the front end of the AT&T PCC systems and traced through the process. Using the AT&T business rules for determining compensable calls documented in the Management Assertions, the Audit Team processed the CDRs and created a compensable call file. The last step in the test was to compare the Audit Team's compensable file to the corresponding AT&T compensable records which had been sent to the NPC in order to determine if the results matched. Differences, if any, would then be investigated and analyzed.

In all cases, the records on the compensable file created by the Audit Team matched the compensable records sent to the NPC which validated that the AT&T business rules were applied consistently with the stated assertions. Detailed examination of the individual CDRs revealed:

1. All compensable CDRs contained an Originating Line Information value of 27, 29, or 70 as stated in the Assertions.
2. All compensable CDRs contained an Answer Indicator of '0' which signified a completed call.
3. All compensable CDRs included a terminating number of 8YY-XXX-XXX or were access-code dialed.
4. All compensable CDRs contained the originating ANI which was correctly populated on the CDR forwarded to the NPC for compensation purposes.

## 5.13 Assessment of Process & System Changes

The individual subject matter experts were questioned regarding whether there were any substantive operational or procedural changes that may have been applied to the processes and systems under their control since the last PCC audit in 2008. All responded that there have been no material changes to the per call compensation process during that time interval. These statements were then supported via follow up email confirmation.



## 6.0 Audit Conclusions and Findings

Based on the results of the examination of the AT&T PCC processes and procedures, the end-to-end validation of the overall call tracking system, and the AT&T assertion that no material changes have been made to the PCC processes and procedures since the audit as of June 30, 2008, the Audit Team concludes that AT&T and the call tracking system for PCC remains in compliance with the FCC audit requirements and criteria specified in §64.1310 and §64.1320 of the Final Rules of FCC 03-235/CC Docket No. 96-128. The Audit Team further attests that AT&T's assertions of compliance with the aforementioned requirements and criteria are fairly stated in all material respects.

### 6.1 Contact Information

Please direct any questions regarding this audit to AT&T Payphone Product Management:

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## 7.0 Appendices

Appendix	Document
A	Management's Assertions on Modifications to AT&T's Payphone Compensation Processes





**Management's Assertions on Modifications to AT&T's  
Payphone Compensation Processes  
June 29, 2009**

Management of AT&T Corp. (the "Company" or "AT&T") asserts the following:

On June 25, 2004 and October 31, 2005, PricewaterhouseCoopers issued an attestation examination report that provided an opinion regarding Management's Assertions on AT&T's Payphone Compensation Processes. On June 30, 2006, June 29, 2007, and June 30, 2008, Engel Consulting Group issued attestation examination reports that provided an opinion regarding Management's Assertions on AT&T's Payphone Compensation Processes. AT&T provided a description of key payphone compensation process and system controls in Management's Assertions on AT&T's Payphone Compensation Processes.

In accordance with the disclosure requirement in the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996 dated September 30, 2003, Paragraph 42, since the June 30, 2008 Engel Consulting Group attestation examination report, AT&T has not materially modified, as of July 1, 2009, its payphone compensation processes and systems as previously described in Management's Assertions on AT&T's Payphone Compensation Processes.

Below are AT&T Management Assertions covering the subjects documented by AT&T on June 25, 2004 as required as part of initial Payphone Telephone Reclassification Provisions of the Telecommunication Act of 1999, FCC Order 03-235 (Docket No. 96-128), which AT&T continues to support as of July 1, 2009:

1. AT&T has procedures in place to accurately track payphone calls to Completion. As it relates to this assertion, "procedures" will be defined according to the following:

- AT&T has controls in place to ensure that Call Detail Records (CDRs) generated by switches owned or leased by AT&T are interfaced completely to the downstream payphone call tracking systems.
- AT&T has controls in place to identify and eliminate duplicate CDRs from payphone call tracking systems.
- Payphone calls are identified based on the Originating Line Indicator (OLI)/Information Digits values in the CDRs generated by switches owned or leased by AT&T. Current applicable OLIs are '27', '29', and '70'.
- AT&T accurately assigns call completion indicators for payphone CDRs based on hardware or software answer types.

2. AT&T has assigned a specific person or persons responsibility for tracking, compensating, and resolving disputes concerning payphone completed calls. As it relates to this assertion, "assigned" will be defined according to the following:

- The responsibility for tracking, compensating, and resolving disputes concerning payphone calls has been granted and included in the job description for specific employees.

3. AT&T has effective data monitoring procedures in place. As it relates to this assertion, “effective data monitoring procedures” will be defined according to the following:

- AT&T has documented procedures for monitoring data interfaced from switches owned or leased by AT&T to its call collection system, its usage processing system, and its payphone call tracking system.
- AT&T identifies and takes corrective actions for data irregularities and errors in the payphone process.

4. AT&T adheres to established protocols to ensure that any software, personnel, or network changes do not adversely affect its payphone call tracking ability. As it relates to this assertion, “established protocols” will be defined according to the following:

- AT&T has established a documented software development lifecycle (SDLC) to manage software changes.
- AT&T’s SDLC includes testing software changes to determine if they adversely affect AT&T’s payphone call tracking ability.
- AT&T monitors adherence to the SDLC.
- AT&T has procedures, including system-driven checks and balances, to ensure network translation and routing changes are implemented in a manner not detrimental to its network.
- AT&T restricts access to payphone call tracking systems to authorized personnel.

5. AT&T creates a compensable payphone call file by matching call detail records against payphone identifiers. As it relates to this assertion, “payphone identifiers” will be defined according to the following:

- Payphone calls are identified based on the Originating Line Indicator/Information Digits values in the CDRs generated by switches owned or leased by AT&T. Current applicable OLIs are ‘27’, ‘29’, and ‘70’.
- Payphone calls are considered compensable based on the business rules criteria defined in Assertion #9.

6. AT&T has procedures in place that incorporate payphone call data into required reports. As it relates to this assertion, “procedures” will be defined according to the following:

- AT&T has procedures to create the following reports accurately and completely from the compensable payphone call file referenced in Assertion #5:

A. National Payphone Clearinghouse SuperFile - The SuperFile submission has replaced three of the four client data files submitted prior to July 1, 2004 to the NPC by AT&T. This file includes the payphone information needed to comply with the FCC’s Payphone Orders as a Completing Carrier and an Intermediate Carrier. The information in this file includes:

- I. Completing Carrier Traffic Compensation
- II. Completing Carrier Toll-Free/Access-Code Reporting
- III. Intermediate Carrier Toll-Free/Access-Code Reporting files.

B. Paycomp True Zero Accum File – This file follows formatting standards set by the NPC, and includes the following information:

- I. The toll-free/access-code numbers dialed from each payphone that has collect and calling card call types.
- II. The volume of calls for each toll-free/access-code number completed by the Completing Carrier for each of the PSPs' payphones by call type.

C. Switched Based Reseller Report – As an Intermediate Carrier, AT&T provides the NPC with the names, addresses and telephone numbers of the Switched Based Reseller Customers which belong to the Wholesale AT&T Network Connection Toll Free Platform.

- AT&T has established procedures to submit the above reports to the NPC on a timely basis.

7. AT&T has implemented procedures and controls needed to resolve disputes. Prior to June 15, 2004, as per Management's Assertions on AT&T's Payphone Compensation Processes (June 25, 2004), AT&T maintained Payphone Call Detail Records (CDRs) for 18 months that could be utilized for dispute investigations. Currently, AT&T maintains Payphone CDRs for at least 27 months that can be utilized for dispute investigations. As it relates to this assertion, "procedures and controls" will be defined according to the following:

- AT&T has documented its process to investigate and resolve disputes with Payphone Service Providers and has posted the process on the NPC's website.
- AT&T logs disputes and follows the published process.
- AT&T maintains payphone CDRs in a data warehouse for at least 27 months that can be utilized for dispute investigations.
- Archived payphone CDRs can be readily accessed by AT&T payphone dispute personnel to perform dispute analysis.

8. AT&T has implemented critical controls and procedures to identify payphone compensation errors. As it relates to this assertion, "critical controls and procedures" will be defined according to the following:

- AT&T develops an annual payphone compensation budget by month based on key company and industry trends (e.g., payphone call counts, number of payphones in the industry).
- AT&T analyzes the quarterly payphone compensation invoice at a 'compensation type' level (e.g., per-call, surrogate) to identify any deviations from historical trends and current budget.
- AT&T documents and retains trending data related to payphone compensation to use in the budgeting and outlook process.
- AT&T reviews and analyzes the information contained in the Traffic Analysis Report received from the NPC to validate the complete receipt of call records sent to the NPC.

9. AT&T has implemented business rules to identify compensable payphone calls. As it relates to this assertion, "business rules" will be defined according to the following:

- Payphone calls are identified based on the Originating Line Indicator/Information Digits values in the CDRs generated by switches owned or leased by AT&T. Current applicable OLIs are '27', '29', and '70'.
- AT&T has controls in place to identify and eliminate duplicate CDRs from payphone call tracking systems.
- Potential compensable payphone calls are identified based on applying the following business rules to the payphone call file:

- CDRs must be toll-free or access code dialed calls.
- CDRs must be completed calls based on answer indicator generated by the switch.
- The originating ANI for each call is included in the compensation file to the NPC.
- AT&T has engaged the NPC to determine the identities of the PSPs to which AT&T owes compensation. In addition, the NPC performs the following actions:
  - The NPC matches the PSP claims to the LEC reports to validate ownership of the ANI.
  - In the event that ownership cannot be validated from the information provided, the NPC notifies the PSP of the dispute and works with the PSP to resolve the ownership disputes.
  - The NPC calculates compensation for non-flex ANI payphones based on regulated surrogate rates.

10. AT&T has agreed to compensate Payphone Service Providers on behalf of a small number of completing carriers for which AT&T delivers payphone calls. AT&T has notified PSPs of each completing carrier for which it makes payment via a posting on the National Payphone Clearinghouse (NPC) website. As it relates to this assertion, “agreed to compensate” will be defined according to the following:

- AT&T delivers calls to many completing carriers (i.e. AT&T is the Intermediary Carrier). AT&T, on behalf of a small number of completing carriers, makes payment to PSPs for the payphone calls that are delivered to the completing carriers.
- AT&T pays for 100% of the payphone call volume that is delivered to the small number of completing carriers based on the following business rules:
  - CDRs must be toll-free or access-code dialed calls

11. AT&T asserts that at the conclusion of each quarter, in compliance with the rules of the Federal Communications Commission, its chief financial officer has submitted to the NPC to be posted on the NPC webpage for retrieval by each payphone service provider a sworn statement for that quarter relating to payphone payments, and stated that such statement is accurate and is based on 100% of all completed calls that originated from that payphone service provider’s payphones in the relevant period.

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